

Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 140 - Department of Revenue

Administrative

Internal services include the cost of overall management of the agency, internal audit, accounting, budget, cash management, facilities management, purchasing, personnel, employee training, quality improvement, and legal services provided by the Attorney General's Office. A significant portion of the costs in this category represent the legal costs associated with the defense of the state's tax system.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-------------|-------------|----------|------|-------------|-------------|----------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$9,100,000 | \$9,090,000 | \$10,000 | 85.0 | \$8,717,000 | \$8,707,000 | \$10,000 | 82.7 |

Expected Results:

Administrative activities support the successful achievement of the agency's vision, mission, and goals through a variety of internal support functions. In addition, the department protects the state's interest through successful litigation of tax issues.

Outcome Measure: Percentage of taxpayers with a favorable opinion of Department of Revenue employees; includes courtesy and helpfulness ratings.

| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
|-------------|-------------|-------------|---------------|---------------|---------------|
| 67% | 67% | 71% | 71% | 71% | 75% |

Property Tax Administration

The Department of Revenue has a statutory obligation to ensure uniformity within the state's property tax system and oversee the administration of property taxes at both the state and local level. The department also determines the state school levy; conducts complex appraisals on commercial, industrial, and special use properties; administers property tax exemptions and deferral programs; and provides guidance, training, and assistance on property tax issues to county officials.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-------------|-------------|-------|------|-------------|-------------|-------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$5,702,000 | \$5,702,000 | \$0 | 53.8 | \$5,684,000 | \$5,684,000 | \$0 | 53.6 |

Expected Results:

The Property Tax Division strives to ensure fair and uniform application of property tax laws. In Calendar Year 2003, a total of \$6.2 billion was collected from property tax levies. In Calendar Year 2004, \$1.5 billion state and \$5.0 billion local are projected to be collected.

State and Local Revenue Collection and Distribution

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The Department of Revenue is responsible for the fair, efficient, and uniform administration of state tax laws. Primary activities include taxpayer registration, tax return processing collection activities, accounting for and distributing state and local tax revenues, and promotion of voluntary compliance through taxpayer education, information, and assistance. These activities are conducted from offices throughout the state and are supported by a statewide computer network.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|--------------|--------------|-------------|-------|--------------|--------------|-------------|-------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$47,744,000 | \$44,957,000 | \$2,787,000 | 562.1 | \$47,730,000 | \$44,958,000 | \$2,772,000 | 561.1 |

Expected Results:

The Department provides ongoing education and assistance to taxpayers while maximizing the collection of tax dollars owing on delinquent accounts. Total dollars collected from delinquent accounts and through tax discovery efforts were unexpectedly high at \$311 million in Fiscal Year 2004, and are projected to continue at \$295 million in Fiscal Year 2005. Balance due notices paid in Fiscal Year 2004 totaled \$141 million, a level which is expected to be sustained. In Fiscal Year 2004, 95 percent of the 270,001 calls received were provided assistance. An estimated 300,000 total calls are anticipated in Fiscal Year 2005, 310,000 calls are anticipated in Fiscal Year 2006, and 320,000 calls are anticipated in Fiscal Year 2007. In Fiscal Year 2004, \$2.0 billion in local tax was collected on behalf of local jurisdictions. At the end of Fiscal Year 2004, there were 692,845 registered accounts on record. At the end of Fiscal Year 2005, 730,707 registered accounts are estimated; 771,242 registered accounts are estimated by the end of Fiscal Year 2006; and 814,668 registered accounts are estimated by the end of Fiscal Year 2007.

Output Measure: Total enforcement collections (In Thousands).

| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
|-------------|-------------|-------------|---------------|---------------|---------------|
| \$315,399 | \$366,309 | \$406,202 | \$395,660 | \$395,660 | \$395,660 |

Efficiency Measure: Cost per \$100 of revenue collected from Department of Revenue enforcement activities

| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
|-------------|-------------|-------------|---------------|---------------|---------------|
| \$12.3 | \$12.7 | \$13.21 | \$13.35 | \$13.77 | \$13.81 |

Tax Auditing

The department's audit function is carried out across Washington State and throughout the United States. Auditors are given one of three assignments: permanent in-state locations, permanently assigned out-of-state locations, or short-term out-of-state tours. The auditors review the records of registered businesses for the proper reporting and payment of taxes. Taxes routinely audited include sales and use, business and occupation, and public utility taxes.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|--------------|--------------|-----------|-------|--------------|--------------|-------|-------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$22,100,000 | \$22,105,000 | \$(5,000) | 289.3 | \$22,263,000 | \$22,263,000 | \$0 | 289.7 |

Expected Results:

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The Department's auditing function seeks to provide fair and uniform application of tax laws and promote an optimal level of accurate tax reporting and payment through continuing auditing presence and taxpayer education. The gross dollar value of tax assessments in Fiscal Year 2004 totaled \$288.2 million.

Efficiency Measure: Percentage of active reporting taxpayer accounts contacted through audit enforcement efforts.

| | | | | | |
|-------------|-------------|-------------|---------------|---------------|---------------|
| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
| 1.5% | 1.7% | 2.8% | 3.5% | 3.5% | 3.5% |

Tax Policy Research, Analysis, and Interpretation

Tax policy activities involve coordinating interdepartmental services and providing information and guidance to the public, employees, and all levels of government. Specific functions include preparing fiscal notes; analyzing and drafting legislation; reviewing and drafting rule revisions; forecasting non-General Fund revenues; and analyzing proposed changes to tax statutes and tax law changes on small business.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Decision support for government decision makers

| FY 2006 | | | | FY 2007 | | | |
|-------------|-------------|-------|------|-------------|-------------|-------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$3,570,000 | \$3,570,000 | \$0 | 41.3 | \$3,530,000 | \$3,530,000 | \$0 | 40.8 |

Expected Results:

The Department's objective is to provide accurate, timely, and clear information that encourages informed tax policy decisions. One component is the preparation of accurate and complete fiscal notes. In Fiscal Year 2004, 290 fiscal notes were delivered to the Office of Financial Management, and 400 are estimated in Fiscal Year 2005.

Output Measure: Annually review 25 percent of agency's Washington Administrative Code rules, Excise Tax Bulletins, and revenue policy memorandums and identify those that need change.

| | | | | | |
|-------------|-------------|-------------|---------------|---------------|---------------|
| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
| 27.9% | 25.5% | 27.6% | 25% | 25% | 25% |

Taxpayer Appeals

The department hears taxpayer appeals, issues written determinations, renders formal and informal tax law interpretations, mediates and negotiates settlements of tax disputes, and executes settlement closing agreements when appropriate.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-------------|-------------|-------|------|-------------|-------------|-------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$1,924,000 | \$1,924,000 | \$0 | 21.2 | \$1,926,000 | \$1,926,000 | \$0 | 21.2 |

Expected Results:

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The Appeals Division's goal is to timely resolve tax appeals and provide written guidance on Washington state tax laws. The target goal for Fiscal Year 2005 is to clear 95 percent of the estimated 800 appeals to be received.

Output Measure: Cost (cents) per \$100 revenue collected through the voluntary reporting and payment of taxes.

| | | | | | |
|-------------|-------------|-------------|---------------|---------------|---------------|
| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
| \$0.34 | \$0.34 | \$0.34 | \$0.34 | \$0.36 | \$0.32 |

Unclaimed Property Management

The department administers the provisions of the State Uniform Unclaimed Property Act. The department receives the transfer of abandoned property to the state and tries to locate the owners through advertising and providing public access to abandoned property information. The department's role is to act in the interest of the property owners and return the abandoned property to the rightful owners whenever possible. Examples of abandoned property include utility deposits, insurance policies, safety deposit box contents, dividends, and savings accounts. (Unclaimed Personal Property Account-Nonappropriated)

Statewide Result Area: Improve the economic vitality of businesses and individuals

Category: Provide consumer protection

| FY 2006 | | | | FY 2007 | | | |
|-------------|----------|-------------|------|-------------|----------|-------------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$3,073,000 | \$93,000 | \$2,980,000 | 28.0 | \$3,137,000 | \$99,000 | \$3,038,000 | 25.0 |

Expected Results:

The Unclaimed Property section's goal is to efficiently administer unclaimed property programs. The target goal for Fiscal Year 2005 is to process approximately 35,500 claims from an estimated 160,000 names reported for claiming unclaimed property.

Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Human resources support for government agencies

| FY 2006 | | | | FY 2007 | | | |
|-------------|-------------|-----------|------|-------------|-------------|-----------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$1,996,000 | \$1,884,000 | \$112,000 | 0.0 | \$2,006,000 | \$1,893,000 | \$113,000 | 0.0 |

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

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Category: Human resources support for government agencies

| FY 2006 | | | | FY 2007 | | | |
|-------------|-------------|------------|-------|---------------|---------------|------------|--------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$(394,000) | \$(381,000) | \$(13,000) | (7.1) | \$(1,136,000) | \$(1,099,000) | \$(37,000) | (20.7) |
